

# MORPHIC GLOBAL OPPORTUNITIES FUND

## Monthly Report January 2020



Signatory of:



### Fund Objective

The Fund seeks long term capital growth by investing in global shares and excluding direct investments in entities involved in environmental destruction, intensive animal farming, tobacco, alcohol, armaments and gambling. The Fund aims to have exposures in companies that are cheap, of high quality and where momentum supports the investment thesis. The Fund can also hedge to manage risk.

### Investment returns\*

	1 Month	3 Months	CYTD	3 Years (p.a.)	5 Years (p.a.)	ITD (p.a.)
Morphic Global Opportunities Fund	4.29%	7.56%	4.29%	11.18%	8.58%	14.86%
Index <sup>1</sup>	3.84%	7.93%	3.84%	15.78%	11.84%	16.91%

\* Past Performance is not an indication of future performance.

### Ethical Investing in Focus

Just how much consideration should guardians of your pensions and savings put on ethical and environmental concerns, if any at all? What responsibility do they have to consider climate change in investment decisions?

There is a landmark court case winding its way through the Australian courts that will have momentous consequences for how these questions are considered. [Mark McVeigh](#) is suing his Super Fund in the Federal Court for not acting in his best interests as he won't be able to access his savings until 2055, and argues that climate risks for that date should affect decisions now.

This shows the increasingly engaged stance from investors and members as the effects of climate change become more severe and are demanding more action for those entrusted with running their money.

### Portfolio review

The Morphic Global Opportunities Fund ("Fund") rose 4.3% in January, outperforming global markets which rose 3.8% in AUD terms. Global equities fell 1.2% in USD terms, as fears of the contagion effects from the Coronavirus drove markets down. A falling Australian dollar versus the US dollar offset this.

As markets went into "risk-off" mode, the US (+0.1%) performed best, with the worst hit being Emerging Markets (-4.7%), with Europe (-2.6%) also lagging. Bond-like sectors, such as Utilities (+4.7%) were the primary beneficiaries of the flight to safety, with Energy being the worst (-9.1%).

Our long held position in French train manufacturer Alstom performed best, despite being a cyclical stock, as rumours of a merger with competitor Bombardier circulated. Bombardier is struggling as a business and the market senses a chance for Alstom to acquire the assets at a good price.

Also contributing was our position in Spanish listed Mobile phone tower operator, Cellnex. Investors flocked to the certainty of earnings provided by these stable cashflow businesses.

The largest detractor of performance was Sensata Technologies. As a provider of sensor equipment into trucks and autos, the stock was sold off, particularly with some changes in senior management announced.

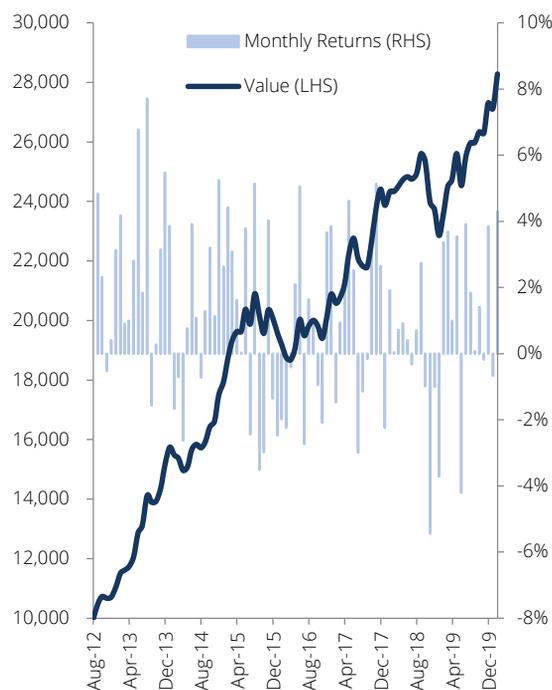
### Outlook

Markets appeared to be overbought in early January after a bout of early year enthusiasm left them vulnerable to the shocks of the Coronavirus. What is interesting is the speed at which they are recovering.

Despite talk that Chinese GDP may slow to well less than 5% this year and large scale manufacturing shutdowns, markets are prepared to look through this and focus on the backdrop of fiscal and monetary easing. Whether this can be sustained in coming months remains to be seen.

The Fund finished the month carrying some cash to reflect the uncertainties, but this is being re-deployed into some Asian focused names that had sold off more heavily. Foreign exchange hedging remains minimal.

### Performance of AUD \$10,000



### Key Facts<sup>2,3</sup>

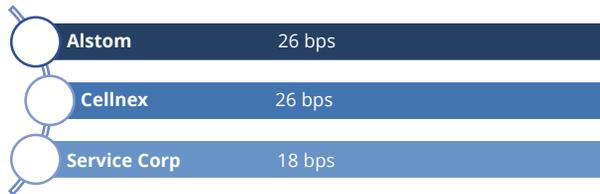
Launch Date	August 2 <sup>nd</sup> , 2012
Minimum Initial Investment	AUD 10,000
Pricing and Liquidity	Daily
Distributions	January and July
Management Fee <sup>4</sup>	1.35%
Performance Fee <sup>5</sup>	15.375%
Entry and Exit Fees	Zero
Buy/Sell Spread	0.3% each side
Unit Price	\$ 1.8688
Funds Under Management – Fund (AUD)	\$ 78m
Funds Under Management – Morphic (AUD) <sup>6</sup>	\$ 164m

## Top 10 Active Positions

Stocks (Shorts)	Industry	Region	Position Weighting
Service Corp	US Deathcare	North America	3.5%
Bank Leumi	Financials	Middle East	2.2%
Sensata Technologies	Industrials	North America	2.2%
Logitech	Information Technology	Europe	1.8%
Cellnex	Telecom	Europe	1.8%
Alstom	Industrials	Europe	1.5%
Tencent	Information Technology	Asia Pacific	1.5%
Graphic Packaging	Industrials	North America	1.3%
WillScot Corp	Industrials	North America	1.3%
Fujitsu	Information Technology	Asia Pacific	1.3%

Risk Measures	
Net Exposure <sup>7</sup>	94%
Gross Exposure <sup>8</sup>	105%
VAR <sup>9</sup>	1.31%
Upside Capture <sup>10</sup>	94%
Downside Capture <sup>10</sup>	85%
Best Month	7.71%
Worst Month	-5.44%
Average Gain in Up Months	2.72%
Average Loss in Down Months	-1.85%
Annual Volatility	9.38%
Index Volatility	9.67%

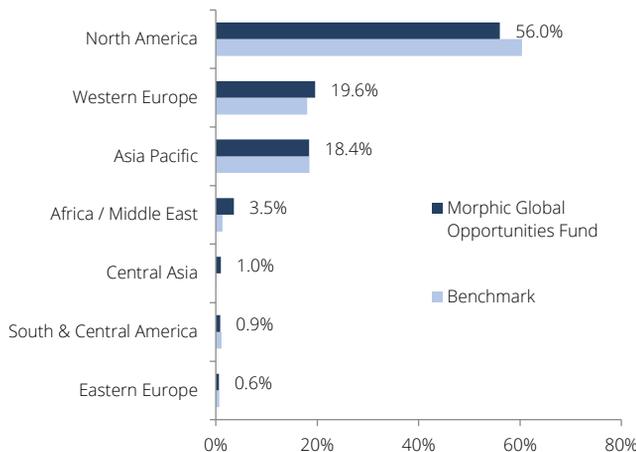
## Top three alpha contributors<sup>12</sup> (bps)



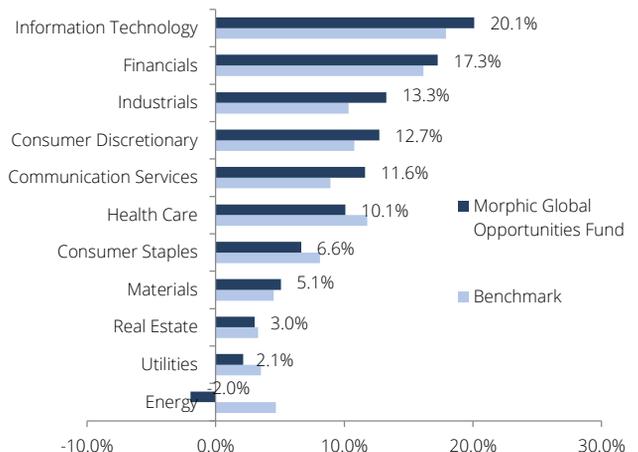
## Top three alpha detractors<sup>12</sup> (bps)



## Equity Exposure Summary By region



## Equity Exposure Summary By sector



This report is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security by the sender or Morphic Asset Management Pty Ltd ("Morphic" or "Manager") (ACN 155 937 901) (AFSL 419916). This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain individual financial advice based on their own particular circumstances before making an investment decision. Any person considering investment in the Morphic Global Opportunities Fund ("MGOF") should first review the Product Disclosure Statement (PDS) for the Fund issued by Perpetual Trust Services Limited dated 04/12/2017 which is available on Morphic's website [morphicaset.com](http://morphicaset.com). Units in the MGOF are issued by Perpetual Trust Services Limited ABN 48 000 142 049 AFSL 236648. Initial Applications for units in the MGOF can only be made pursuant to the application form in the PDS. Morphic does not guarantee repayment of capital or any particular rate of return from the MGOF. Past performance is no guarantee of future performance. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distribution of income and realised profits. Statements of fact in this report have been obtained from and are based upon sources that Morphic believes to be reliable, but Morphic does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute Morphic's judgement as at the date of this communication and are subject to change without notice.

The Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Morphic Global Opportunities Fund adheres to the strict disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Morphic Global Opportunities Fund's methodology, performance and stock holdings can be found at [www.responsibleinvestment.org](http://www.responsibleinvestment.org), together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

1 The Index is the MSCI All Countries World Daily Total Return Net Index (Bloomberg code NDUEACWF) in AUD; 2 ISIN AU60PER06735, APIR PER0673AU; 3 All fees shown are inclusive of GST; 4 The Manager may also recoup a maximum of 0.27% in expenses related to operating the Fund; 5 The Performance Fee is payable semi-annually in respect of the Fund's out-performance of the Index. Performance Fees are only payable when the Fund achieves positive absolute performance and is subject to a high water mark; 6 Total funds under management of Morphic Asset Management; 7 Includes Equities and Commodities - longs and shorts are netted; 8 Includes Equities, Commodities and 10 year equivalent Credit and Bonds - longs and shorts are not netted; 9 VAR is Value at Risk based upon the 95th percentile with a 1 day holding period using a 1 year look back; 10 Based on gross returns since Fund's inception; 11 As a percentage of the Fund's Value at Risk (VaR) Limit; 12 Attribution; relative returns against the Index excluding the effect of hedges.